Cross-cutting issues are particularly vulnerable through budget support, given that these are not treated as sectors. Social Watch and Eurostep published a report identifying this question in 2005, called 'Accountability Upside Down' (Eurostep/Social Watch, 2005), which lead to a conference organised by UNIFEM with the European Commission in 2005 identifying how gender equality would be implemented by the new aid modalities. The conference identified a number of instruments, in particular gender budgeting and monitoring the implementation of international instruments promoting gender justice, CEDAW, the Beijing Platform for Action and the Millennium Declaration. The Social Watch Gender Index was presented as a tool for performance indicators on gender equality.

Currently, Ghana is a pilot country for the EU to implement budget support in a co-ordinated fashion with EU Member States. Given that the revision of the Paris Declaration will also take place in Ghana in 2008, it is clear that the EU is hopeful that results with budget support in this country will prove to be successful. It will be important to identify whether budget support is helping to produce shifts in the national budget in the direction of the MDGs, and whether these budget shifts lead to greater investment in the MDGs and increased output towards their realization.

SOME CONSIDERATIONS REGARDING BUDGET SUPPORT

Cecilia Alemany (Social Watch)

A trend of the New Financial Perspectives 2007-2013 of the European Union is the fact that budget support is becoming widespread as an instrument for channelling cooperation in the developing countries. This mechanism involves reducing the high costs of mediating and administering co-operation, and points to expanding the strategic lines of national budget performance.

Although there are already some successful cases, the efficiency of budget support is still not clear. For one part, the requirements for payments can vary and in some cases present a new bottleneck, and for another, oversight mechanisms need to be clarified not just for the sake of the EU as the donor but also for the civil society and the local citizens.

Citizen oversight of budget support and budget performance is viable in some countries and even formal settings, while in others it seems that the conditions are still not ready because governments do not always have a culture of consultation or of policies of transparency. In addition, budget support will also be applied to some governments in which there are high rates of corruption. It would seem contradictory that while the EU points to the problems of governance in some developing countries, it simultaneously injects direct funding into their budgets.

On the other hand, budget support is part of the donor countries' trend toward aligning and harmonizing the donors (a trend that surged from the Paris Declaration) and assumes that the donors will negotiate in many cases in conjunction with the national authorities. This presents the logic of efficiency from the perspective of the EU, but one cannot ignore that this limits the receiving countries´ room for negotiation and conditions cooperation even more on the will of the donors. In a certain sense, while the empowerment of the national counterparts, efficiency, harmony and alignment of international cooperation are all heralded, the social organizations of the developing countries might ask themselves if this is not a resurgence of the ancient conditions of aid disguised in politically correct language. ■

Trade

The trade agenda is a key issue for the EU, in which the European Commission plays a central role.[3] Within the current Doha Round of the World Trade Organization (WTO) the EU has continually stressed that it is taking an approach to trade defining new trade rules that champion the interests of developing countries. This is not the view of most developing countries, however, who criticize the EU for maintaining an agricultural trade subsidy regime that gives unfair advantages to European producers, thus undermining the competitiveness of producers in developing country. A recent document on the EU budgetary proposals made a direct statement that EU trade policy was motivated by defensive and offensive measures to protect its own key interests (EEPA, 2006b).

The EU *Everything but Arms* trade regime for Least Developed Countries (LDCs) has failed to provide any real meaningful options for producers from those countries as it fails to tackle the constraints on producing goods to an acceptable EU standard.

Alongside the WTO negotiations the EU has been negotiating with different regional groups to establish regional free trade agreements. For the African Caribbean and Pacific (ACP) group of countries, the scope for negotiating Economic Partnership Agreements (EPAs) was embodied in the Cotonou Agreement, as a successor agreement to the Lomé Convention. The EU forced the inclusion of the EPA negotiations on the ACP so that by 2008 the EU trade arrangements would become compatible with WTO rules. In the face of substantial criticism that within the EPA negotiations the EU was once more failing to address the supply side constraints of ACP countries, the EU countries have stated that they will provide aid for trade to support adjustment costs of the EPAs once they are in place. However, this will be financed from the existing aid budget and therefore the compensation for losses of the ACP countries will be paid from the development budget and will therefore reduce the funds for the MDGs. Already, within the current budget negotiations the 'additional' money promised to compensate for the reform of the EU sugar arrangement with ACP countries, is arranged to be financed by a cut of resources for social development, affecting especially MDG sector funding for health and education. This is in addition to other cuts on the budget line which specifically targets the MDGs (EEPA, 2006a).

Debt cancellation

While the EU 2005 commitments on achieving the MDGs have been welcomed, concern remains on how these will be put into practice, and moves to change the framework in which the EU co-operation is pursued. A report published in May 2006 analized the current use of EU aid. Put together collectively by a number of NGOs from across Europe, the report concluded that a third of all official aid provided (some USD 14.4 billion[4]) in 2005 from the EU (Members States and European Community taken together) did not reach developing countries and remained within the donor country. Such expenditures include debt cancellation (USD 9.6 billion of which most was the cancellation of Iraq's export credit debts), financing the costs of migrants arriving from developing countries (USD 1 billion), and costs of education for foreign students (USD 1.2 billion). While these costs can be counted as official aid according to the definitions established by the OECD/DAC,[5] this does not provide resources for use in developing countries targeted at achieving the MDGs. For instance in the case of debt cancellation donor governments made a commitment at the Monterrey Financing for Development Conference in 2002 that debt cancellation would be implemented through the use of new resources. Since these were debt write-offs, these cancellations did not translate into additional funds being available for the MDGs. The countries being granted debt cancellation would not have been able to repay the debts that were cancelled, and so the additional levels of aid registered by donors was simply a bookkeeping exercise that inflated ODA levels.

Conclusions

Unfortunately, everything indicates that the implementation of the pledges is merely an accounting trick, rather than an increase in investments in the MDGs. The "war on terror" and migration issues are included

3 The European Commission is responsible for managing EU's trade policies and for negotiating trade rules and agreements on behalf of the EU.

4 Equivalent to EUR 12 billion.

5 The Development Assistance Committee (DAC) of the Organization for Economic Co-operation and Development (OECD).